

# 1Q 2023 Earnings Results

Investor Relations

2023. 5. 9

# KRAFTON

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# 2023 1Q Results at a Glance

## KEY PERFORMANCE



PUBG PC/Console Revenue

**70% ↑ YoY**



Scale-Up the Creative

**24+ Projects<sup>(1)</sup>**



Studio Investments

**4<sup>(2)</sup> / 12<sup>(3)</sup>**

## KEY FINANCIAL HIGHLIGHTS

**538.7** bn

**Record High Quarterly Revenue**

**283.0** bn

**Operating Profit**

**53%**

**Operating Profit Margin**

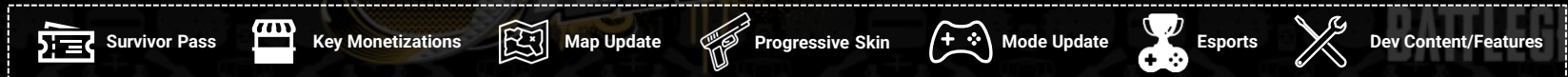
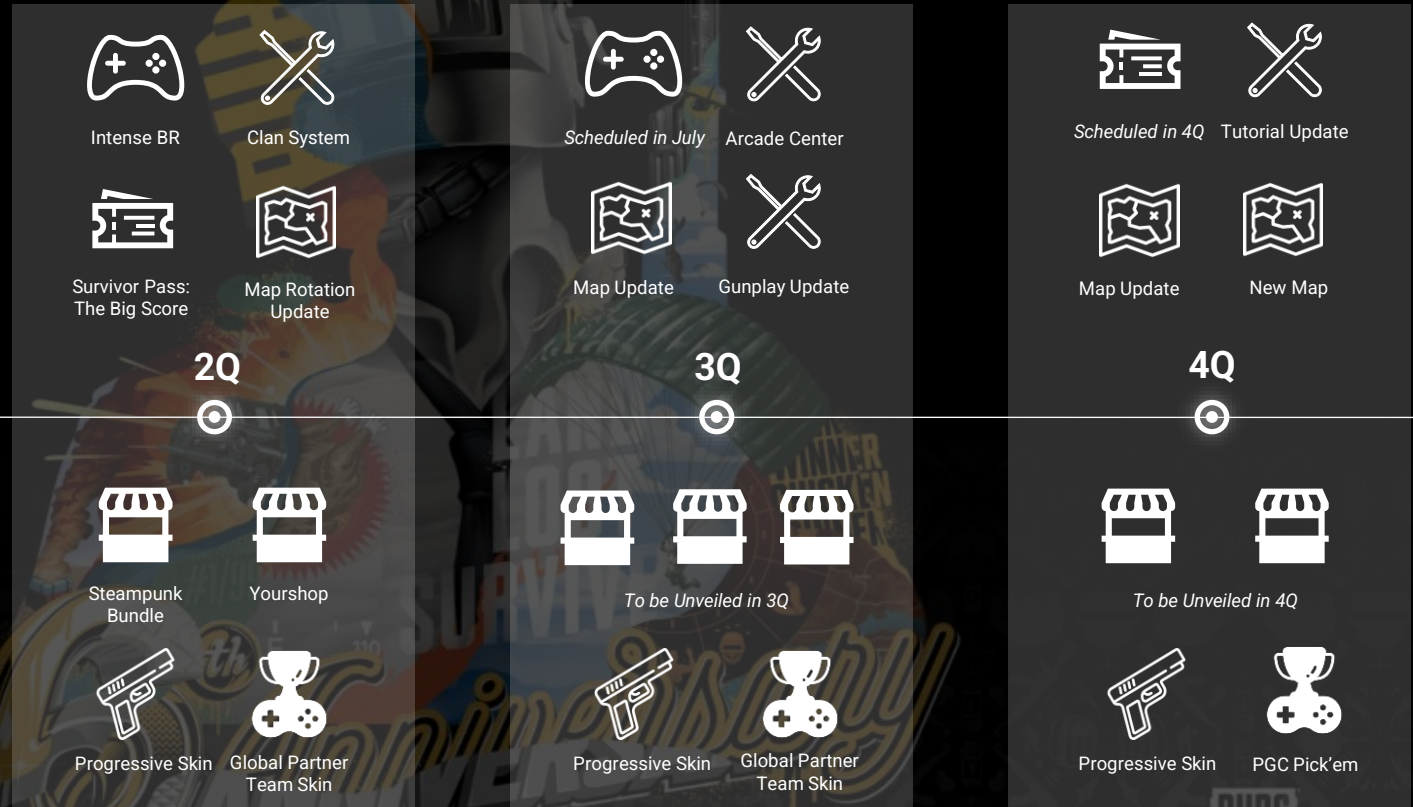
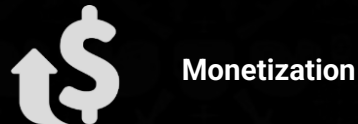
Note: (1) Incubating Projects as of May 2023, (2) Studio acquisitions and minority stake investments to be completed from January to May 2023, (3) Post-IPO studio acquisitions and minority stake investments

# PC / Console

## PUBG PC/Console Recorded the Highest Ever In-game Revenue with Expanded Traffic and New Monetization Content



### 2023 LIVE SERVICE PLAN 6 YEARS AND 6 BEYOND





# Mobile

**Solid Mobile Revenue Trend Driven by the Traffic Growth in New Regions and Live Service Content Innovations**

**"New Diverse Content Tailored to User Engagement Expanded Traffic Inflows in Emerging and Some Key Markets"**



**New Content Attracting Healthy Traffic**



**Enhanced Monetization with High-quality Content**



5th Anniversary Mode



UGC Mode World of Wonder



Bugatti Collaboration



Progressive Skins



ROYAL PASS



Payload Mode



Gold Level Skins



Bearbrick Collaboration



# Scale-Up the Creative

## Scale-Up the Future Growth Potential with Transition from a Global Game Company into a Global Publisher



Note: (1) To be completed in May 2023, (2) Incubating Projects as of May 2023



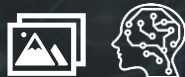
# Beyond Game

## Focusing on Enhancing Efficiency in Game Development and Discovering New Gameplay Through AI/Deep Learning

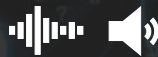
### Virtual Game Friend



Chatbot AI



Diffusion



STT / TTS



Reinforcement Learning

- Virtual Friends just like usual friends who play games together
- Can offer advice and strategic suggestions enabled by RL
- Able to engage in conversations about topics beyond games

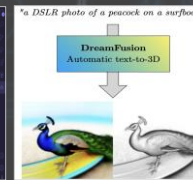
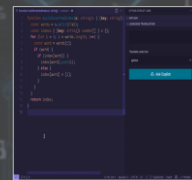
### Innovations in Game Development Process

#### Project Migaloo



- AI/Deep Learning technology applied to develop core components and content in the open-world

#### Game Development Efficiency



- Programming, art, personal avatars, 3D modeling, game design

# 1Q23 Financials

## Revenue

**KRW 538.7bn** (+13.7% QoQ, +3.0% YoY)

Solid revenue from strong PC revenue and favorable seasonality for mobile, PUBG PC led the growth setting a new record high for quarterly revenue

## Operating Profit

**KRW 283.0bn** (+124.3% QoQ, -10.1% YoY)

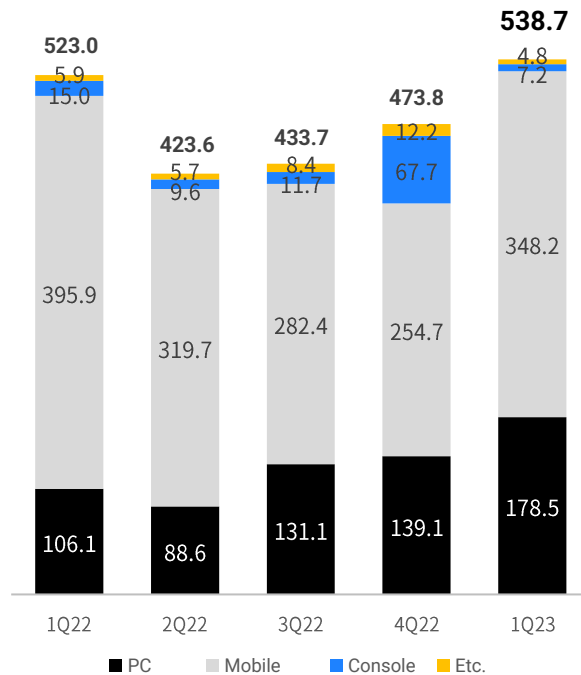
Rose QoQ on sound revenue growth leveraging PUBG IP, Increased 12% YoY from 1Q22 OP of 261.7bn when excluding share-based payment expenses

## Net Profit

**KRW 267.2bn** (Turned to Profit QoQ, +9.0% YoY)

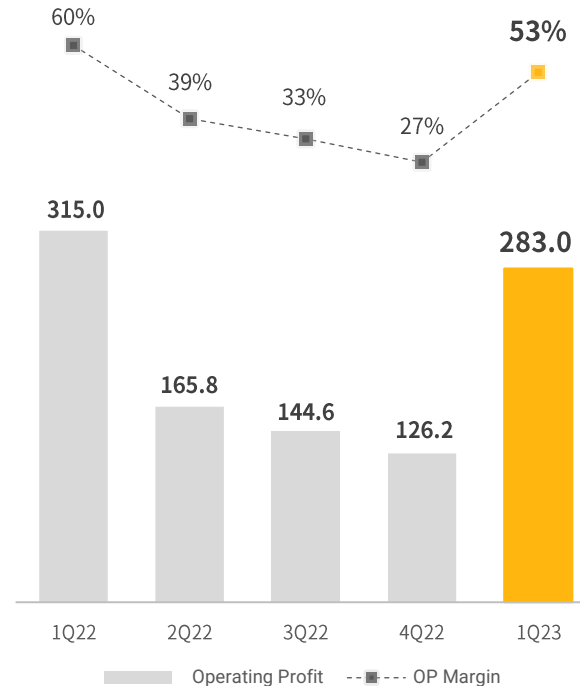
### Revenue

KRW bn



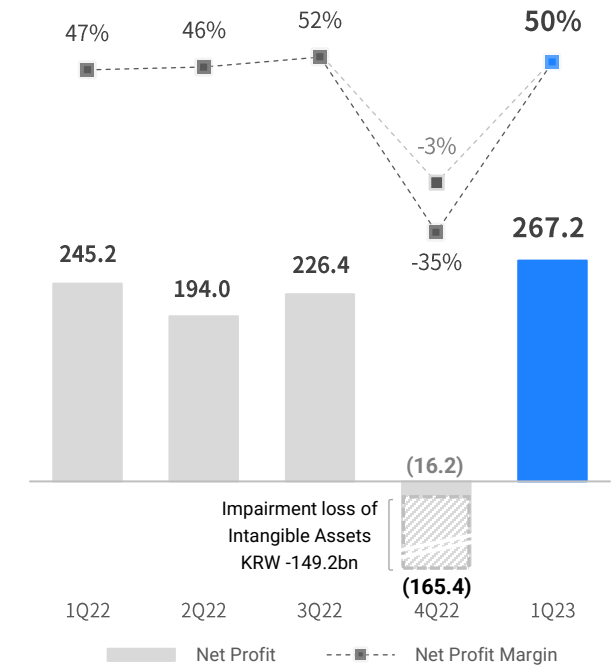
### Operating Profit

KRW bn



### Net Profit

KRW bn





# Expense Breakdown

## Operating Costs

**KRW 255.7bn** (-26.4% QoQ, +22.9% YoY)

- (Personnel) KRW 100.8bn (+59.0% QoQ, -6.9% YoY)

Declined YoY due to the limited increase in headcount

- (Paid Commissions) KRW 61.6bn (-40.0% QoQ, +10.3% YoY)

Declined QoQ on falling expenses related to Esports and outsourcing, Rose YoY on higher server and engine costs

| KRW bn                                       | 1Q22         | 2Q22         | 3Q22         | 4Q22         | 1Q23         | QoQ           | YoY           |
|--|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| <b>Operating Costs</b>                       | <b>208.0</b> | <b>257.7</b> | <b>289.1</b> | <b>347.6</b> | <b>255.7</b> | <b>-26.4%</b> | <b>22.9%</b>  |
| % of Revenue                                 | 39.8%        | 60.8%        | 66.7%        | 73.4%        | 47.5%        | -25.9%p       | 7.7%p         |
| Personnel                                    | 108.3        | 94.2         | 98.9         | 63.4         | 100.8        | 59.0%         | -6.9%         |
| Platform Fees/Cost of Revenue <sup>(1)</sup> | 51.6         | 50.1         | 47.8         | 57.7         | 46.7         | -19.0%        | -9.4%         |
| Paid Commissions                             | 55.8         | 81.5         | 85.2         | 102.7        | 61.6         | -40.0%        | 10.3%         |
| Marketing                                    | 17.5         | 11.3         | 19.7         | 81.2         | 5.1          | -93.7%        | -70.9%        |
| Share-based Payment Expenses                 | (53.2)       | (8.4)        | 7.8          | (9.7)        | 10.0         | n/a           | n/a           |
| Others                                       | 28.0         | 29.0         | 29.7         | 52.4         | 31.4         | -40.0%        | 12.3%         |
| <b>Operating Profit</b>                      | <b>315.0</b> | <b>165.8</b> | <b>144.6</b> | <b>126.2</b> | <b>283.0</b> | <b>124.3%</b> | <b>-10.1%</b> |
| % OP Margin                                  | 60.2%        | 39.2%        | 33.3%        | 26.6%        | 52.5%        | 25.9%p        | -7.7%p        |
| <b>Adj. EBITDA<sup>(2)</sup></b>             | <b>280.5</b> | <b>177.4</b> | <b>174.5</b> | <b>160.3</b> | <b>319.0</b> | <b>99.0%</b>  | <b>13.7%</b>  |
| % Adj. EBITDA Margin                         | 53.6%        | 41.9%        | 40.2%        | 33.8%        | 59.2%        | 25.4%p        | 5.6%p         |

Note: (1) Platform Fees/Cost of Revenue consist of Steam, market commissions, etc, (2) Adj. EBITDA = EBITDA + Share-based payment expenses

# Operating Profit / Adj. EBITDA

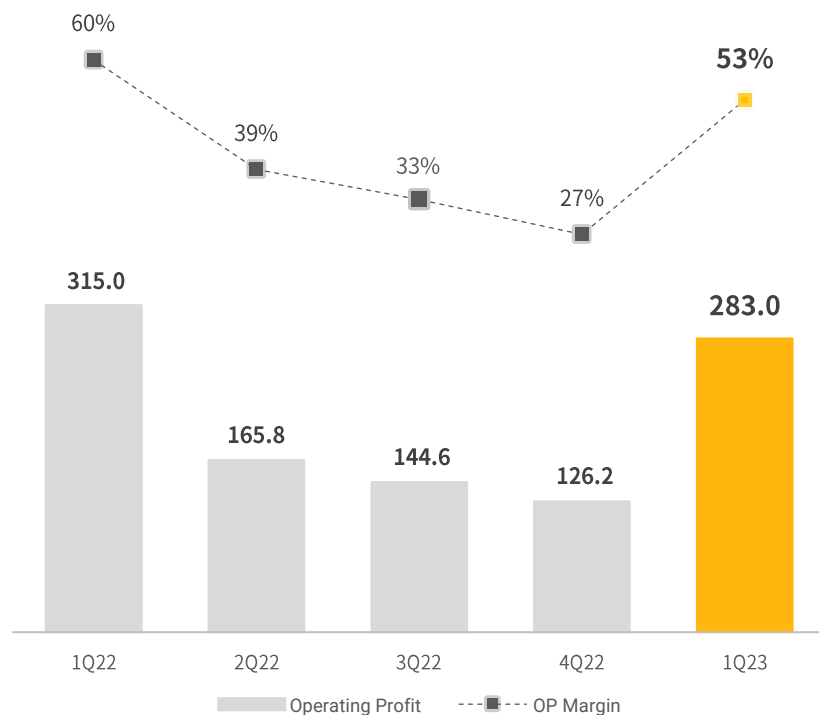
**Operating Profit** **KRW 283.0bn** (+124.3% QoQ, -10.1% YoY)

**Adj. EBITDA** **KRW 319.0bn** (+99.0% QoQ, +13.7% YoY)

- Adj. EBITDA increased 14% YoY, with Adj. EBITDA margin of 59%

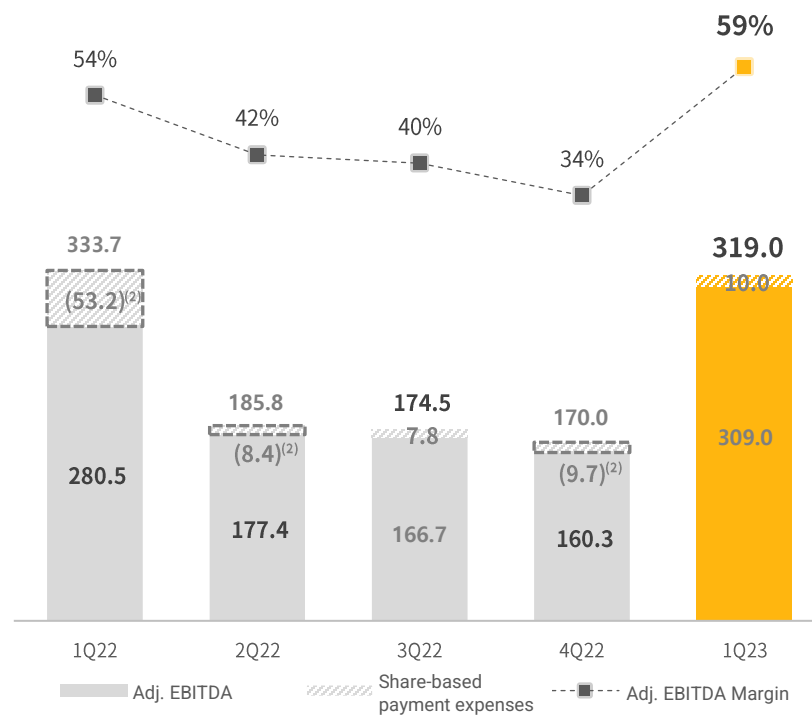
## Operating Profit

Unit: KRW bn



## Adj. EBITDA<sup>(1)</sup>

Unit: KRW bn



Note: (1) Adj. EBITDA = EBITDA + Share-based payment expenses, (2) Reversal of Share-based payment expenses

# Net Profit

**Profit Before Income Tax**      **KRW 362.4bn** (Turned to Profit QoQ, +8.9% YoY)

**Net Profit**      **KRW 267.2bn** (Turned to Profit QoQ, +9.0% YoY)

- Net profit rose QoQ and YoY on increased non-operating profit impacted by low base from impairment of intangible assets in 4Q22 and FX effects, with net profit margin of 50%

## Non-Operating Profit & Profit Before Income Tax

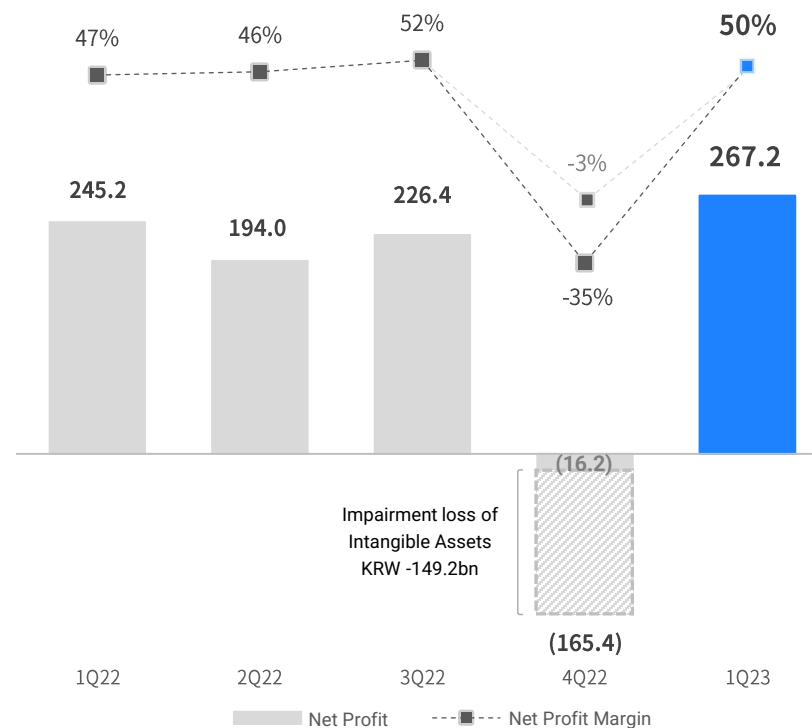
Unit: KRW bn

|                                 | 1Q22  | 2Q22  | 3Q22  | 4Q22                 | 1Q23  |
|---------------------------------|-------|-------|-------|----------------------|-------|
| <b>Non-operating Profit</b>     | 17.8  | 94.5  | 169.1 | (349.1)              | 79.4  |
| <b>Non-Operating Income</b>     | 43.7  | 108.9 | 206.1 | (40.2)               | 141.8 |
| Other Income                    | 37.0  | 101.3 | 196.2 | (49.8)               | 131.9 |
| Finance Income                  | 6.7   | 7.5   | 9.9   | 9.6                  | 9.9   |
| <b>Non-Operating Expense</b>    | 25.9  | 14.4  | 37.0  | 308.9                | 62.4  |
| Other Expense                   | 24.3  | 12.8  | 35.5  | 306.0 <sup>(1)</sup> | 60.5  |
| Finance Expense                 | 1.6   | 1.6   | 1.5   | 2.8                  | 1.9   |
| <b>Profit Before Income Tax</b> | 332.7 | 260.3 | 313.7 | (222.9)              | 362.4 |

Note: (1) Impairment loss of Intangible Assets (KRW -149.2bn)

## Net Profit

Unit: KRW bn



# Summary of Financial Statements

## Consolidated Income Statement

| (KRW bn)                            | 1Q22         | 2Q22         | 3Q22         | 4Q22           | 1Q23         |
|-------------------------------------|--------------|--------------|--------------|----------------|--------------|
| <b>Revenue</b>                      | <b>523.0</b> | <b>423.6</b> | <b>433.7</b> | <b>473.8</b>   | <b>538.7</b> |
| Operating Costs                     | 208.0        | 257.7        | 289.1        | 347.6          | 255.7        |
| <b>Operating Profit</b>             | <b>315.0</b> | <b>165.8</b> | <b>144.6</b> | <b>126.2</b>   | <b>283.0</b> |
| EBITDA                              | 333.7        | 185.8        | 166.7        | 170.0          | 309.0        |
| <b>Adj. EBITDA</b>                  | <b>280.5</b> | <b>177.4</b> | <b>174.5</b> | <b>160.3</b>   | <b>319.0</b> |
| Non-Operating Profit                | 17.8         | 94.5         | 169.1        | (349.1)        | 79.4         |
| Other Income                        | 37.0         | 101.3        | 196.2        | (49.8)         | 131.9        |
| Other Expenses                      | 24.3         | 12.8         | 35.5         | 306.0          | 60.5         |
| Finance Income                      | 6.7          | 7.5          | 9.9          | 9.6            | 9.9          |
| Finance Expenses                    | 1.6          | 1.6          | 1.5          | 2.8            | 1.9          |
| <b>Profit Before Income Tax</b>     | <b>332.7</b> | <b>260.3</b> | <b>313.7</b> | <b>(222.9)</b> | <b>362.4</b> |
| Income Tax                          | 84.5         | 63.0         | 83.1         | (61.9)         | 95.2         |
| Profit from Discontinued Operations | (3.0)        | (3.4)        | (4.2)        | (4.4)          | -            |
| <b>Net Profit</b>                   | <b>245.2</b> | <b>194.0</b> | <b>226.4</b> | <b>(165.4)</b> | <b>267.2</b> |

## Consolidated Statement of Financial Position

| (KRW bn)                                 | 1Q22           | 2Q22           | 3Q22           | 4Q22           | 1Q23           |
|--|----------------|----------------|----------------|----------------|----------------|
| Current Assets                           | 3,715.7        | 3,811.0        | 3,979.2        | 3,892.6        | 4,075.3        |
| Cash and Cash Equivalents <sup>(1)</sup> | 2,913.6        | 3,079.2        | 3,261.1        | 3,125.3        | 3,216.0        |
| Non-current Assets                       | 2,054.2        | 2,117.7        | 2,321.6        | 2,145.2        | 2,237.1        |
| <b>Total Assets</b>                      | <b>5,769.9</b> | <b>5,928.7</b> | <b>6,300.8</b> | <b>6,037.8</b> | <b>6,312.4</b> |
| Current Liabilities                      | 529.4          | 434.7          | 480.6          | 411.5          | 398.6          |
| Non-current Liabilities                  | 393.7          | 416.2          | 418.5          | 509.9          | 513.3          |
| <b>Total Liabilities</b>                 | <b>923.1</b>   | <b>850.8</b>   | <b>899.1</b>   | <b>921.4</b>   | <b>911.9</b>   |
| Paid-in Capital                          | 4.9            | 4.9            | 4.9            | 4.9            | 4.9            |
| Capital Surplus                          | 1,474.1        | 1,475.1        | 1,475.1        | 1,448.6        | 1,467.7        |
| Other Components of Equity               | 155.1          | 191.1          | 288.5          | 190.1          | 188.0          |
| Retained Earnings                        | 3,212.7        | 3,406.6        | 3,633.0        | 3,467.6        | 3,735.0        |
| Non-controlling Interests                | 0.1            | 0.2            | 0.2            | 5.2            | 4.9            |
| <b>Total Equity</b>                      | <b>4,846.8</b> | <b>5,077.9</b> | <b>5,401.7</b> | <b>5,116.4</b> | <b>5,400.5</b> |

Note: (1) Including FVPL (Fair Value through Profit or Loss)



**Q&A**

# Our Vision

## WHY

We believe **games** will become the world's **most powerful medium**.

## HOW

Based on our **creativity**, steadfast dedication toward **new challenges** and **technological development**,

## WHAT

We will further **expand our original IPs** and build **immersive, virtual worlds**, where our fans play together and share fun moments.

**We will meet everyone in the world we are building.**